THE VIRGINIA STATE DEBT AND INTERNAL IMPROVEMENTS, 1820–38

When Virginia took her place in the Union she was practically free from debt. It was mainly for this reason that her leading statesmen opposed Hamilton's plan for the assumption of the war debts of the respective states by the federal government.[1] Virginia, however, like most of her sister states, emerged from the Revolutionary War with a considerable amount of unredeemed paper money, or treasury notes.[2] At the beginning of the nineteenth century there remained unpaid of these treasury notes, and of 6 per cent certificates, issued for paying soldiers and officers of the Virginia line during the Revolution, about $100,000. This small debt was extinguished by 1826, except for a few "floating" certificates[3] and other certificates, amounting to $24,039.17, held by the literary fund of the state. This debt was accidental, so to speak. It was contracted in times of stress and did not result from a fixed policy of the commonwealth. It may not therefore be considered as the beginning of the present state debt.

In like manner the debt of the War of 1812 may be considered as bearing no relation to the debt proper of the state. Furthermore, this debt was reimbursed in most part by the federal government. Most of it was incurred in 1814 and 1815. Virginia was in imminent danger in August, 1814. Two powerful British fleets under Admirals Cockburn and Cochrane occupied the Chesapeake and the Potomac. These fleets were under orders to "destroy and lay waste all towns and districts of the United States, found

[1] Note in this connection, C. A. Beard, "Economic Origins of Jeffersonian Democracy," *American Historical Review*, XIX, 282 ff.

[2] A funding system was established in 1790 (*Hening's Statutes*, XVII, 133; R. B. Howison, *History of Virginia*, II, 504). For acts concerning the issuing of certificates to pay soldiers, see *Hening's Statutes*, X, 370; X, 462; XI, 81; XI, 196.

[3] So called because no record was kept of them on the books of the Treasurer except of those held by the literary fund of the state. In 1816 they were 20 per cent below par (*Journal of the House of Delegates*, p. 190). These certificates were called in by September 1, 1825 (*Acts of Assembly*, 1824–25, p. 26).

accessive to the attack of the British armaments."[1] Under these orders the harbors of the United States had been blockaded, and towns and villages laid waste "from Machias to Alexandria." A detachment of troops had been landed near Washington under General Ross. After a brief engagement at Bladensburg, in which the opposing militia was easily routed—as militia is likely to be before regulars—they burned the federal capital. It was at this time that James Monroe, who had resigned his position as governor of Virginia to become secretary of state in Madison's cabinet, wrote to the governor of Virginia warning him that the enemy's fleets were preparing to attack Baltimore, Richmond, or Norfolk, and asking him to come to the aid of the government. "Be on your guard," he wrote, "prepared at every point, to repel the invaders."[2]

Virginia proceeded immediately to strengthen her forces to meet the emergency. The people of the state had suffered much during the Revolution from being unprepared[3] and had learned their lesson. Of the $750,000 that had already been borrowed on account of the war, $313,665.68 was used in paying the state's quota of the direct tax that had been assessed by the federal government on the several states. Large sums of money were now borrowed to defray war expenses. At the close of the struggle the military debt amounted to $2,392,252.19. This money was borrowed directly from the two chartered banks of the commonwealth—over two millions of it from one bank.[4]

[1] Quoted in Walker, *The Making of the Nation*, p. 238.

[2] *Journal and Documents of the House of Delegates*, 1824–25.

[3] H. J. Eckenrode, *The Revolution in Virginia*, pp. 261 ff.

[4] *Journal and Documents of the House of Delegates*, 1824–25.

Money borrowed as follows:

1. From Bank of Virginia	$350,000	Acts of Feb. 22, 1813 and Feb 1, 1814.
2. From Farmers' Bank of Virginia	400,000	(part for federal tax) Act of Feb. 1, 1814.
3. From Farmers' Bank of Virginia	200,000	Act of Nov. 18, 1814.
4. From Farmers' Bank of Virginia	800,000	Act of Dec. 29, 1814.
5. From Farmers' Bank of Virginia	536,052.19	Act of Jan. 10, 1815.
6. From Farmers' Bank of Virginia	6,200	Act of Jan. 10, 1815.
7. From Farmers' Bank of Virginia	100,000	Act of Jan. 10, 1815.
Total	$2,392,252.19	

The money was borrowed at rates varying from 6 per cent to 8 per cent—the greater part at 7 per cent (*Journal and Documents of House of Delegates*, 1815–16, Auditor's Report, p. 85).

Monroe's letter was the virtual admission of the fact that the United States government could no longer adequately cope with the situation and that the state must rely upon her own resources. Although the administration at Richmond realized that the state was assuming burdens that properly belonged to the federal government,[1] it trusted that government to reimburse the state after the war. As Governor Barbour said in his message of October 10, 1814, to the Assembly:

> Whilst I am disposed to believe that the General Government feels the strongest disposition to acquit itself of every obligation it owes Virginia, yet this is not the time to be guided by a calculating policy, which is content with drawing an abstract line, marking with scrupulous nicety the limits where the duty of one government terminates and that of the other begins.

The state auditor's report of 1822 shows that the federal government had reimbursed the state, with the exception of $408,480.20, which was made up almost entirely of items rejected or "suspended" by the federal government,[2] but which were for the most part finally paid.

The state government was not slow in extinguishing its debt of the War of 1812. Of this there remained unpaid on October 1, 1816, $702,500.[3] By 1823 there remained unpaid only $319,000 in certificates held as part of the permanent capital of the literary fund.[4]

Thus by 1826 the state had disposed of war debts. The certificates of these debts were then held, as has been shown, as part of the capital of the literary fund, and were in fact owned by the state itself.

A brief sketch of the origin of the corporation known as the "President and Directors of the Literary Fund" will not be out of place here in showing the fiscal policy of the state before 1820. It was the first of the great corporations created and endowed by

[1] *Journal and Documents of the House of Delegates*, 1834–35, Doc. 1, pp. 7 ff.

[2] *Ibid.*, 1822–23, Auditor's Report. For more detailed account see, *ibid.*, 1819–20, Auditor's Report.

[3] *Ibid.*, 1816–17, p. 190.

[4] These certificates were consolidated in 1832 (*Acts of Assembly*, 1831–32, p. 13).

the state and connected with its fiscal concerns.[1] At the time of its creation in 1811 the commonwealth was not burdened with debt. According to Governor Tazewell:

> The sum then due by it was so easily and perpetually diminished, that the extinction of the debt was a process, the effects of which could hardly be calculated. The current disbursements of the government were provided for by its current receipts, annually; and the difference between them in any year, was the effect of mere casualty. To correct all these accidental differences the general assembly of 1810 most wisely deprived the treasury of all funds proceeding from casualties, and appropriated such "to the encouragement of learning"; thus insuring frugality in the administration of the revenue by confining the regular expenditures to the regular receipts of the government without leaving any surplus or deficiency that could be guarded against; and at the same time making the very negligences and vices of the community contribute to their own eradication, by aiding in its future intellectual improvement.[2]

This arrangement was disturbed by the War of 1812, during which, in addition to the large sums of money borrowed, the taxes were greatly increased. The taxes were rapidly reduced to normal again. The treasurer's reports from 1810 to 1838 show that the annual receipts and disbursements were, respectively, less than half a million dollars a year. Governor Tazewell was right in calling the state government a "frugal government."

When in 1816 the federal government paid the state over a million and a half dollars of its debt, Virginia had already paid off most of her debt and therefore needed little money for that purpose.[3] It was in order, therefore, "to avoid the evils arising from a fluctu-

[1] Timothy Flint in his *Geography* published in 1833 describes the fund as follows: "The State has a literary fund of $1,233,522. Other contingent funds are added to the avails of this. Fifteen thousand dollars of the avails of the fund are annually appropriated to the University of Virginia, and fifteen thousand dollars to the education of the poor in the respective counties, apportioned among them in the ratio of the white population. In 1828, there were twenty-six thousand six hundred and ninety applicants for the benefit of this fund, and twelve thousand six hundred and forty-two recipients."

For detailed accounts of how the money from the fund was distributed see the *Journal and Documents of the House of Delegates* for each year. The literary fund was created by act of February 12, 1811 (*Acts of Assembly*, 1811, p. 8).

[2] *Journal and Documents of House of Delegates*, 1834–35, Doc. 1, Governor Tazewell's Message. The receipts from fines went to "funds proceeding from casualties."

[3] *Ibid.*, 1816–17, p. 190, Report of the Committee of Finance.

ating system of revenue, or a large surplus in the treasury," that most of this sum was appropriated, by an act of the Assembly of 1816, "to public education," through enlargement of the literary fund created five years before.[1]

It is a significant fact that debts of the newer states were made prior to 1838, in financing banking enterprises, while those of the older, or *original* states were made for internal improvements.[2] "Wild cat" banking schemes developed most rapidly in the atmosphere of the frontier. Jackson, the champion of local banks, was himself the product and idol of the frontier. But the older states were not without numerous advocates of these wild banking schemes. Their schemes for internal improvements also were in many cases out of all proportion to their resources. To the great prosperity of the country was due that overconfidence which resulted in the widespread bankruptcy and distress of 1837–40. It was a period of promise, hope, and expansion—a period of adventure.

[1] *Ibid.*, 1834–35, Governor Tazewell's Message.

[2] Dewey, *Financial History of the United States* (4th ed.), pp. 243–44. *Reports of the Tenth Census*, V, 7 (Washington, 1884). The following table, taken from p. 526 of this volume, gives the amount of stock authorized by the respective states in 1838 and the purposes for which it was authorized:

States	For Banking	For Canals	For Railroads	For Turnpikes	Miscellaneous	Total
Alabama	$ 7,800,000		$ 3,000,000			$ 10,800,000
Arkansas	3,000,000					3,000,000
Illinois	3,000,000	$ 900,000	7,400,000		$ 300,000	11,600,000
Indiana	1,390,000	6,750,000	2,600,000	$1,150,000		11,890,000
Kentucky	2,000,000	2,619,000	350,000	2,400,000		7,369,000
Louisiana	22,950,000	50,000	500,000		235,000	23,735,000
Maine					554,976	554,976
Maryland		5,700,000	5,500,000		292,980	11,492,980
Massachusetts			4,290,000			4,290,000
Michigan		2,500,000	2,620,000		220,000	5,340,000
Mississippi	7,000,000					7,000,000
Missouri	2,500,000					2,500,000
New York		13,316,674	3,787,700		1,158,032	18,262,406
Ohio		6,101,000				6,101,000
Pennsylvania		16,579,527	4,964,484	2,595,902	3,166,787	27,306,700
South Carolina		1,550,000	2,000,000		2,203,770	5,753,770
Tennessee	3,000,000	300,000	3,730,000	118,166		7,148,166
Virginia		3,835,350	2,128,900	354,800	343,139	6,662,189
Total	$52,640,000	$60,201,551	$42,871,084	$6,618,868	$8,474,684	$170,806,187
Approximate Percentage	31	35	25	4	5	

Eight states had no debt in 1838, viz., New Hampshire, Vermont, Rhode Island, Connecticut, New Jersey, Delaware, North Carolina, and Georgia. Maine's debt was nominal.

For half a generation after the second war with England the economic trend was forward, and such reverses as occurred rather tended to "keep the country sober and calm" than to give a national setback. In 1830 the country was prosperous. The next seven years was a period of wonderful development. Manufacturing and commerce rapidly expanded. The value of domestic products exported increased from $50,000,000 in 1824 to $107,000,000 in 1837. Steam was rapidly coming into its own. The public debt of the United States was steadily decreased. Its last installment was paid in 1834, and in thus completely liquidating its debts the young republic was unique among the nations of the world. As a result there was unbounded confidence abroad in the public credit of the federal government, which was reflected on that of the state governments. As a result of the ignorance in Europe of the real nature of the relation between the state and federal governments, little distinction was made there between them in this respect. Credit instruments played an increasingly greater part in commercial transactions and less specie was taken out of the country.

In the midst of this period of growth strife arose between President Jackson and the Bank of the United States. One of the results of this was the removal of the public deposits from that institution to the state banks, which, in anticipation of its early destruction, were chartered in great number by the states. According to Judge Curtis the nominal capital of these banks during the period of seven years from 1830 to 1837 was increased from $110,000,000 to $225,000,000.[1]

Judge Curtis, sometime member of the Boston bar and later associate justice of the Supreme Court of the United States, and a keen and far-seeing observer, gave the following account of this period in the *North American Review* of January, 1844:[2]

> At the beginning of the year 1830, the States of this Union were in debt only about $13,000,000. During the next seven years, the greater part of the

[1] "Debts of the States," *North American Review*, LVIII, 113; also in *Reports of the Tenth Census*, V, 7.

[2] *North American Review*, LVIII, 110 ff.; also *Life and Writings of R. B. Curtis*, II, 97.

present debt was contracted; and the State governments laid the foundations for the residue, by authorizing loans, and commencing public works upon which the money was to be expended. These seven years formed one of the most extraordinary financial periods—perhaps the most extraordinary one—the world has ever seen, and nowhere were its character and effects so fully exhibited as in this country.

. . . .

At no other period did the wild spirit of adventure become epidemic over so many countries till it seemed to affect the whole world. At this time commerce and manufactures had largely increased. Wealth had been both accumulated and diffused to an extent before unknown. Wonderful improvements in the means of communication across wide seas and through great continents had brought all civilized, and especially all commercial, men within one atmosphere of sentiment and opinion. A long and unbroken peace, in whose sunshine population had increased and production been stimulated, and private enterprise suffered to act freely, incited men to large undertakings. Some, who in former times would have found occupation suited to their daring tempers in the field, embarked their recklessness in commerce; others, whose rashness under ordinary circumstances would have been soon checked by disaster or prevented from showing itself by want of means, found that their energy and love of adventure had made them leaders; and others still, whose fears would have been roused by danger, lost all hesitation in general confidence. Men acted as if a short and secure road to wealth had been discovered on which all might travel, and he who went the fastest would be the first to reach the desired end. The result was such a morbid tendency to excess in all financial affairs as had never before been witnessed. In those countries where the currency was bank paper the quantity of money in circulation was enormously increased. Partly in consequence of this increase, and partly on account of the sanguine hopes of men, prices continued to rise. All uses of capital seemed to be followed by certain and large returns, and men were therefore eager to borrow. All pursuits appeared to be safe and prosperous, and therefore those who had money were desirous to lend it. So much success was felt that to obtain money nothing more was necessary than to show the lender that it was to be employed in some magnificent scheme, which stood well with the large expectations of the time, and was in season with the glorious summer of men's hopes.

Chevalier, who came to this country in 1834, under the patronage of Thiers, then minister of the interior in France, to inspect our public works, wrote in 1835:

Everybody is speculating, and everything has become an object of speculation. The most daring enterprises find encouragement; all projects find

subscribers. . . . . The principal objects of speculation are those subjects which chiefly occupy the calculating minds of the Americans; that is to say, cotton, land, banks, railroads.[1]

The banks established during this period, when properly managed, proved very useful in the economic development of the country. Nearly all of the states invested in the stock of banking corporations.[2] The older states obtained funds for this purpose from the public revenue, the newer ones, from the sale of bonds. In the former states, both north and south, banks were firmly established and needed but little state aid. On the contrary, public money in bank stock was generally considered well invested.[3] In many of the early bank charters there were provisions for the investment of the school funds of the respective states in bank stock. The newer states needed banks to furnish a circulating medium, to accommodate commercial classes, and to make loans to planters. But with the exception of the cotton states of the Gulf, the chief motive of the states for investing in bank stock was to secure large profits on their surplus revenues. For example, the act establishing the Bank of Tennessee, in which the state invested a million and a half dollars, was entitled, "An act to establish a state bank to raise a fund for internal improvements, and to aid in a system of education."[4] Funds for internal improvement and for education were invested by many of the states in bank stock. In the act of the Virginia Assembly of 1816, whereby the Northwestern Bank of Virginia and the Bank of the Valley of Virginia were chartered, it was provided that, in addition to the capital stock raised by subscription, there be created for the benefit of the fund for internal improvement a number of shares equal to 15 per cent of the amount of stock subscribed. A large part of this fund was made up of bank stock.[5]

[1] Michael Chevalier, *Society, Manners and Politics in the United States* (Boston, 1839), p. 305. Chaps. iii, iv, and v give an interesting account of banking in the country and of Jackson's war on the Bank of the United States.

[2] *Ibid.*, p. 35.

[3] G. S. Callender, "The Early Transportation and Banking Enterprises of the States in Relation to the Growth of Corporations," *Quarterly Journal of Economics*, XVII, 113–14; Dewey, "State Banking before the Civil War," *Senate Documents* (61st Congress, 2d session), XXXIV, 33.

[4] Callender, pp. 160–61.

[5] *Acts of Assembly*, 1815–16, chap. 17, sec. 2.

In the Southwest, where capital was hardest to procure and where the demand for it was probably greatest, the situation was different. The cotton planters needed large amounts of capital. Since their labor had not only to be maintained, but also had to be obtained outright, their initial expenses were especially heavy. Capital could not be found in sufficient quantities in this new country. It had to be procured, therefore, in the North or in Europe. And as there were no private concerns well enough known outside of their immediate section to command credit elsewhere, capital could be secured only by those institutions connected in some way with the state. "Thus in the Southwest," according to Professor Callender, "where nature already provided an adequate system of transportation, the state banking enterprises formed the counterpart of the internal improvement movement of the North and East."[1] Such, in brief, were the economic conditions that obtained in the United States throughout the period in which Virginia began its debt.

Everything relating to the fiscal history of Virginia before 1838 was indissolubly connected with its banks. The state was very fortunate in having an excellent and conservative system of banks from the beginning. Prior to 1804, voluntary associations, called chartered banks, did business in the state, and even issued notes. In 1804, when the state began its system of chartered banks, the general assembly began passing a series of acts to force the unchartered ones out of business. It had practically succeeded in doing this by 1820.[2] The first bank chartered by the state was the Bank of Virginia, established with several branches of "discount and deposit," in 1804.[3] It was not a great central bank with authority to establish subordinate branches as it saw fit, and to manage them from the central office at Richmond. It was a bank with a capital stock of $1,500,000 divided into shares of $100 each. This capital was distributed among the several offices of the bank established in each of the principal cities of the state. For example, the citizens of Richmond were authorized to subscribe 3,750 shares, and those

[1] *Op. cit.*, p. 162.

[2] For references to all these acts, see *Revised Code*, 1819, chap. 2, Part III.

[3] *Ibid.*, chap. 2, p. 67.

of smaller cities in like proportion. Not only were the shares subscribed for locally in each case, but there were a local president and directors for each office. In other words, "it was one great bank having offices at a number of places, the office at each place getting its resources from the people of that place and being managed by them. . . . . A stockholder at Lynchburg, for example, was not a stockholder of the Lynchburg branch, but a stockholder in the great bank of Virginia that spread its tentacles over all the state."[1] It was provided that the state should subscribe 3,000 shares after enough of its shares had been previously subscribed to insure its existence. The bank could issue notes, which were accepted by the state in payment of taxes or other public dues. The state further encouraged this bank by depositing its inactive funds with it. Ten years after its establishment its capital stock was increased $1,000,000. Of this the state subscribed $200,000.

In 1812 the Farmers' Bank of Virginia was established with a charter practically identical with that of the Bank of Virginia.[2] Other banks were chartered from time to time, the state always subscribing a part of the capital. In 1837 there were six chartered banks in the state with about two dozen branches among them. At the time of the panic of 1837 Virginia called an extra session of the General Assembly to relieve the banks. The surplus revenue "deposited" with the state about this time by the federal government was invested in the stock of these banks, and their capital was greatly increased, the state taking a half of the new stock.[3] The banks of Virginia were under the careful supervision of the state government and were highly successful throughout the whole ante-bellum period. An authority who was well qualified to speak of such matters has said:

> I have been unable to discover that any Virginia bank ever failed prior to the Civil War; or that any man ever lost a dollar by a Virginia bank-note prior to that event. It is also to be noted that in 1860 the general idea of Virginia's banking system had become so prevalent that the Virginia bank-notes were at a very trifling discount in New York. The discount was no more than what was necessary to send the note to Virginia and to bring back

[1] William L. Royall, *A History of Virginia Banks and Banking Prior to the Civil War* (New York and Washington, 1907); D. R. Dewey, *Senate Documents* (61st Congress), XXXIV, 138; Howison, *History of Virginia*, II, 407.

[2] *Revised Code*, 1819, chap. 2, p. 82.

[3] *Acts of Assembly*, 1836–37, chap. 83.

the coin, say one-fourth of 1 per cent. All of Virginia's banks got their assets into the form of Confederate securities during the Civil War and all of them went out of existence at its close as a result of that fact.[1]

The state borrowed from her banks, not for them.

It was for internal improvements that Virginia's public debt was incurred. She was one of the pioneer states in constructing internal improvements with state aid. The states of the East and Middle West at an early date began their public works. Professor Callender calls attention to the fact that this country was one of the first to exhibit the "modern tendency to extend the activity of the state into industry." "Before any European government," he said, "had projected a comprehensive system of canals and roads, President Jefferson had called the attention of Congress to such a policy, and Gallatin had submitted his famous report which outlined a complete system of roads and canals, and which recommended that the federal government construct them directly or subsidize corporations for that purpose."[2]

It is unessential here to describe the struggle between the early presidents and their Congresses over federal aid to local improvements. It is sufficient to say that the states were not slow in appreciating the fact that little aid could be expected from this quarter.

Thus thrown upon their own resources, the states entered upon a career of road and canal building that was gigantic in proportion to their wealth and population. Great corporations were formed, and were liberally subsidized by the states, which borrowed large sums of money for the purpose or allowed the companies to borrow on state credit.[3] At the sessions of 1832–33 a committee of the House of Delegates of Virginia, in a report "in relation to the Chesapeake and Ohio Canal Company," made the following observations upon this point:

In looking into the resources of the Commonwealth for the promotion of public works of general interest, and comparing them with those which others

[1] Royall, *A History of Virginia Banks and Banking Prior to the Civil War*, p. 39.

[2] Callender, "The Early Transportation and Banking Enterprises of the States in Relation to the Growth of Corporations," *Quarterly Journal of Economics*, XVII, 112.

[3] Dewey, *Financial History of the United States* (4th ed.), pp. 212–16.

of this Union have successfully employed for similar purposes, your committee are struck with the remarkable fact, that all of them, without exception, have aided their public works by the public credit through the medium of loans. Such has been the policy of New York, Pennsylvania, and Ohio, as well as Maryland.[1]

The largest of these undertakings were begun after the War of 1812, to win the trade of the West for the cities along the Atlantic seaboard. The New York legislature of 1815–16 passed laws for the construction of the Erie and Champlain canals. The next few years saw Pennsylvania and Maryland pushing their works of internal improvement into the interior.

While her sister states were thus engaged, Virginia had not been idle. As early as 1784 the James River Company and the Potomac Company were incorporated; the Appomattox Company and the Dismal Swamp Company were incorporated in 1787, and the Rappahannock Company in 1793; and an act of the Assembly of 1793 provided for "clearing Roanoke River." "So that in ten years plans were laid and companies were forming for improving all the principal navigable streams which run eastwardly from the mountains."[2]

Before 1784, when the movement for internal improvements had begun to take real form, the western section of the state had been increasing in population, and had passed beyond the first economic stages of frontier life. As early as the first quarter of the eighteenth century, thrifty German settlers were coming in a steady stream from the north into the fertile Valley of Virginia. So numerous had they become by the end of the century that the General Assembly passed an act providing for the translation of the laws of the Commonwealth into their language.[3] Another stream of immigrants was moving down the Kanawha and Ohio valleys into the trans-Alleghany region of Virginia. There were in the valley district[4] of the state in 1790, 88,760 whites and 12,870 slaves; and in the trans-Alleghany district, 38,834 whites and 2,308 slaves. There were at this time in the Piedmont district[5] 164,744 whites and

[1] *Journal and Documents of the House of Delegates*, 1832–33, Doc. 20.

[2] *Ibid.*, 1838, Governor Campbell's Message. [3] *Shepherd's Statutes*, I, 339.

[4] That between the Blue Ridge and the Alleghanies.

[5] That between the fall line and the Blue Ridge.

119,539 slaves; and in the Tidewater district,[1] 149,779 whites and 157,910 slaves. It is evident from these figures that of the total population of the state a little more than one-third of the whites and less than one-eighteenth of the slaves of Virginia lived in the two western districts.[2]

Numerous petitions to the legislature from the west (the two western districts) for aid in improving the navigation of their rivers and in building turnpikes are found in the *Journals of the House of Burgesses* throughout the whole of the latter half of the eighteenth century. These petitions, however, bore little fruit. The east (the Piedmont and Tidewater districts) was provided with many navigable streams for its own commerce. Furthermore, it paid seven-eighths of the state's taxes—an amount far out of proportion to its relative population.[3] Naturally the taxpayers in this section were loath to pay for improvements in the west.

But there was one man in the state with big enough vision to see the political advantages to the state as a whole of establishing stronger ties, by means of internal improvements, between the east, and the west and northwest; and he was probably the one man powerful enough to overcome sectional jealousies in accomplishing his purposes. That man was George Washington. He was the first to suggest, as early as 1753,[4] communication between the east and the west by means of canals, and he had made the question the subject of careful study.

On October 10, 1787, just after a "tour to the westward," whither he had gone to look after his lands, Washington wrote a letter to Governor Benjamin Harrison of Virginia, advocating a system of communication with the west and the northwest. This letter[5] is of special interest since it marks the beginning of those schemes of internal improvement fostered by the government which resulted in the state debt. He wrote:

I shall take the liberty now, my dear Sir, to suggest a matter, which would (if I am not too short-sighted a politician) mark your administration as an

[1] That from the fall line to the Atlantic.

[2] *Documents concerning Statistics of Virgina*, ordered to be printed by the state convention sitting in Richmond, 1850–51 (Richmond, 1851).

[3] *Ibid.*

[4] Ambler, *Sectionalism in Virginia*, p. 47.

[5] *Works of Washington* (Ford ed.), X, 402 ff.

important era in the annals of this country, if it should be recommended by you and adopted by the Assembly.

It has long been my decided opinion, that the shortest, easiest, and least expensive communication with the invaluable and extensive country back of us would be by one or both of the rivers of this State, which have their sources in the Appalachian mountains.

. . . .

But that this may not now stand as mere matter of opinion or assertion, unsupported by facts (such at least as the best maps now extant, compared with the oral testimony, which my opportunities in the course of the war have enabled me to obtain), I shall give you the different routes and distances from Detroit, by which all trade of the northwestern parts of the united territory must pass; . . . . it appears from the statement enclosed that the tide waters of this State are nearer to it by one hundred and sixty-eight miles, than that of the River St. Lawrence; or that of the Hudson at Albany, by one hundred and seventy-six miles.

He next calls attention to the fact that Maryland was "on similar ground" with Virginia; that Pennsylvania was contemplating a system of canals to the west at a great cost and was in the meanwhile "smoothing the roads and paving the ways for the trade of that western world"; and that New York would do the same thing when the British garrisons were removed. He then continued:

Thus much with respect to rival States. Let me now take a short view of our own; and being aware of the objections which are in the way, I will, in order to contrast them, enumerate them with the advantages.

The first and principal one is, the *unfortunate jealousy*, which ever has, and it is to be feared ever will prevail lest one part of the State should obtain an advantage over the other parts (as if the benefits of trade were not diffusive and beneficial to all).[1]

After enumerating other obstacles that might stand in the way of his schemes, such as present heavy taxation, lack of money, remoteness of the advantages to be gained, rival routes of other states, the lack of a "sufficient spirit of commerce" in the state, and the unwillingness of some to be "doing for others what they ought to do for themselves," and after enumerating the advantages

[1] Washington prophesied rightly. This jealousy has rent the state in twain; has caused irreparable loss in many ways; and is still the cause of strife between the divided portions, and of much loss in money and achievement within the state itself.

of a purely local kind that would accrue to the state from better means of communication, he said:

> But there is a political consideration for so doing, which is of still greater importance . . . . to bind all parts of the Union together by indissoluble bonds, especially that part of it, which lies immediately west of us, with the Middle States. . . . .
>
> A combination of circumstances makes the present conjecture more favorable for Virginia than for any other State in the Union to fix these matters.

Great Britain was blocking the way to New York; Spain was obstructing commerce down the Mississippi; Pennsylvania was laboring with almost insurmountable natural difficulties. Washington could testify from his own observation that the western settlers were looking to the Mississippi as their trade route and stood "as it were on a pivot. The touch of a feather would turn them any way." A further delay on the part of Virginia would mean a decided advantage to her rivals.[1]

He advised that the Assembly have the western waters which afforded the most direct route to the Great Lakes on the west, and the Potomac and the James on the east, explored and accurately mapped out.

> In the meantime, if it should be thought the lapse of time, which is necessary to effect this work, may be attended with injurious consequences, could there not be a sum of money granted toward opening the best, or, if it should be deemed more eligible, two of the nearest communications (one to the northward and another to the southward) with the settlements to the westward; and an act be passed, if there should not appear a manifest disposition in the Assembly to make it a public undertaking, to incorporate and encourage private adventurers, if any should associate and solicit the same, for the purpose of extending the navigation of the Potomac or James River; and in the former case, to request the concurrence of Maryland in the measure?

Governor Harrison laid this letter before the Assembly, then in session.[2] While in Richmond in November (1784), Washington conferred with the members of the Assembly on the subject.

His efforts were not fruitless. Before the close of the session the Potomac Company was incorporated by the legislatures, respectively, of Maryland[3] and Virginia. Of the $222,222.22

[1] *Works of Washington* (Ford ed.), X, 476–77. [2] *Ibid.*, X, 414–15.

[3] There was a dispute between the two branches of the legislature of Maryland in regard to the tolls to be charged. Washington was sent for and through his efforts a settlement was made. He was the first president of the company.

authorized to be subscribed to this company, Virginia and Maryland each subscribed one-tenth.[1] Meanwhile the James River Company was incorporated in October, 1787, to improve the navigation of the James. Its capital was $100,000, of which the state subscribed $20,000.[2] In the same month one hundred shares of $200 each were subscribed by the state to be vested in George Washington as a mark of its appreciation of his services. They were accepted by him on condition that he be allowed to use them only for the public good.[3] There was also an act passed by the Assembly during this session authorizing a survey to be made of the upper part of the James River, a route for a road to connect the James and the New rivers, and the waters thence to the Ohio.[4]

Two other improvement companies of importance were incorporated before the end of the eighteenth century, the Appomattox Company and the Dismal Swamp Company. The former company was organized to improve the navigation of the Appomattox River from Farmville, through Petersburg, to Tidewater, a distance of more than ninety miles. The latter was formed for the purpose of joining Albemarle Sound with Hampton Roads near Norfolk, by means of a twenty-three-mile canal.

During the next quarter of a century after the beginning of these corporations little progress was made by the state in internal improvements. A few companies received aid out of the public treasury, and the arrears of taxes in several of the counties were appropriated to aid their local improvements.

The western counties, in the meanwhile, were rapidly increasing in wealth and population. But owing to the system of representation in the General Assembly they had little say in state legislation and consequently received little aid for internal improvements.

In 1812 six commissioners, appointed by the Assembly during the preceding session "for the purpose of viewing certain rivers in this

[1] *A Collection of All Such Acts of the General Assembly of Virginia As Are Now in Force* (Richmond, 1803), p. 446.

[2] *Hening's Statutes*, XI, 540.

[3] He used the shares in endowing Liberty Hall Academy, later known as Washington College, now Washington and Lee University.

[4] *Works of Washington* (Ford ed.), X, 417.

commonwealth," examined the James River, crossed the mountains, went down the unexplored New River, and mapped out the course for the James River and Kanawha improvement to connect the east with the west. Their leader, who was no other than John Marshall, made a detailed report to the Assembly, in which he earnestly recommended that this improvement be made by the state.[1] In his message of that year, Governor Barbour seconded the plan for bringing the two sections of the state into more friendly relations and for increasing its prosperity. There seemed to have been a renewal of interest in the project when the second war with England put it again in the background. After the peace of 1815, Governor Nicholas again called the attention of the Assembly to this important subject.

The report of the Committee on Roads and Internal Navigation of December, 1815, shows that at that time the Potomac Company furnished 338 miles of communication by water; the James River Company, 300 miles; the Appomattox Company, 100 miles; and the Dismal Swamp company, communication between the waters of Albemarle Sound and Hampton Roads. The turnpike roads of the commonwealth, "except a few short pieces of particularly mountainous, and a road recently begun from Fredericksburg towards the Blue Ridge," were "confined principally to the county of Loudoun, the adjacent counties of Fairfax, Fauquir, Frederick, and to the vicinity of the seat of government."[2]

The committee held that works of great importance in developing the commonwealth and unifying it could be accomplished only through state aid, since the returns in a country so thinly settled were too remote to invite private capital unless this aid were given. In order to accomplish this to better advantage, the committee suggested that there be organized "a proper body to collect and prepare for the General Assembly the facts and information necessary to cast upon every application for a portion of the fund [that might be appropriated by the Legislature for internal improvement] light enough to guide the sound discretion of the Legislature." It

[1] Found in the *Documents of the House of Representatives*, 1812–13.

[2] *Journal and Documents of House of Delegates*, 1815, p. 74; *Reports of the Board of Public Works*, I, 43 ff.

further recommended that "to allay such local jealousies as might obstruct an agreement in favor of any single object of internal improvement, a fund may be previously segregated and set apart for the accomplishment of all by one appropriation."

The importance of the foregoing report lies in the fact that on February 5, 1816—at the next session of the legislature—the recommendations therein contained were adopted almost without change in an act creating a fund for internal improvement and a board of public works in whose charge the fund was placed. The fund for internal improvement consisted of the "shares held by the Commonwealth, in the stock of the Little River Turnpike Company, of the Dismal Swamp, Appomattox, Potomac, and James River Canal companies, of the Bank of Virginia and Planter's Bank of Virginia," together with the dividends accruing therefrom. The Board of Public Works was a corporation composed of the high officials of the state together with ten citizens chosen annually by the legislature from the respective sections of the commonwealth. The board was authorized to choose a state engineer. It could subscribe to works of internal improvement, as directed by law, only after three-fifths, at least, of the stock had been subscribed by individuals and one-fifth of the subscriptions had actually been paid in.[1]

If this scheme had been fully carried out, all the funds of the corporation would have ultimately been invested in the stock of a number of small undertakings, for the completion of which private capital alone would have been adequate; while works too great to be undertaken without the co-operation of the state could not have been carried into effect. No work of general and permanent value would have been accomplished, and the very purpose of the board would have been defeated. More than $900,000 of the capital of the fund for internal improvements had already been invested in undertakings afterward abandoned or found unprofitable before a change was made in the state's policy in regard to its investments.[2]

[1] *Acts of Assembly*, 1815–16, chap. 17.

[2] An abstract of the acts of the Assembly relating to the state's appropriations to internal improvements, banks, etc., from 1820 to 1860 is found in *Supreme Court of*

The original plan was modified. The commonwealth assumed, unaided, the completion of certain great works of internal improvement, leaving those of minor utility and proportions to the support of the Board of Public Works and individuals of whom the board was but a copartner.[1]

The first of these great corporations in which the commonwealth was exclusively concerned was the James River Company. The original charter of this company provided for improving the navigation of the James River only as far as the mouth of Looney's Creek in Botetourt County. To connect this improvement with the Ohio it was necessary to extend the navigation of the James to a higher point, connect this point by means of a turnpike with the Kanawha River, at the falls of that river, and to improve the navigation of that river to the Ohio. In order to do this, the state bought up the interests of the James River Company and contracted with its president and directors to carry out the work in behalf of the commonwealth, the state treasurer acting as *ex-officio* treasurer of the company.[2] Three years later, by the act of February 24, 1823,[3] the management of the company was transferred into the hands of the high state officials.[4]

By the act of February 17, 1820[5] the legislature authorized the president and directors of the James River Company to borrow \$200,000 on the credit of the state. Under this act the state issued its first bonds. Of the \$350,000 authorized to be borrowed prior to February, 1823, only \$161,000 had been procured at that time.[6]

the United States, October term 1909, No. 3 Original, *Commonwealth of Virginia* v. *State of West Virginia, Record,* 900 ff. This shows that after 1847 the state subscribed as a rule three-fifths instead of two-fifths of the stock of the companies which it "patronized."

[1] *Journal and Documents of House of Delegates*, 1834–35, Doc. 1, Governor Tazewell's message.

[2] *Acts of Assembly*, 1819–20, p. 39.

[3] *Ibid.*, 1822–23, chap. 45.

[4] By the same act the office of second auditor was created to keep the accounts of the several corporations managed by the state.

[5] *Ibid.*, 1819–20, p. 39.

[6] Second Auditor's Report in *Journal and Documents of House of Delegates*, 1826–27; in *ibid.*, 1829–30, Doc. 8.

The ten years following the purchase of the James River Company show an increasing clamor throughout the state for internal improvements and a vacillating attitude in regard to them on the part of the legislature. The greatest demonstration in their favor was the Charlottesville convention of July 14, 1828—just ten days after President Adams had lifted the first spade of earth from the Chesapeake & Ohio Canal, the successor of the old Potomac Company's improvement. Among the delegates from the thirty-nine counties and several large towns represented were ex-Presidents Madison (president of the convention) and Monroe, Chief Justice Marshall, and others of note in state and national politics. This body, in a memorial to the legislature, recommended that the public funds be used in improving the navigation of the principal rivers of the state and in connecting them with one another, instead of being dispersed over many minor improvements.[1]

At the time of this convention New York, Virginia's greatest rivals had built 484 miles of canals, for which it owed more than seven and one-half million dollars.[2] A memorial from a similar convention at Lewisburg in 1831 made the complaint that Virginia's interest in internal improvements had waned, and called attention to the fact that Ohio, which was admitted into the Union in 1802 with a population of only about 45,000, now had a million free citizens and had nearly completed 350 miles of canals, begun in 1824.[3] Other states were making similar progress. Virginia was being left in the race for the commerce of the interior.

A view of the authorizations and appropriations from 1820 to 1830, inclusive, indicates, in a way, what progress the state had made in building roads and canals. During those eleven years the authorizations for internal improvements, exclusive of those for the James River Company, amounted to less than half a million dollars. At the beginning of 1831, $583,124.11 was invested by the commonwealth in private companies for internal improvements. This amount was almost evenly divided between turnpike and canal companies. There were 225 miles of turnpike completed

[1] *Journal and Documents of House of Delegates*, 1828–29, Governor Giles's message.

[2] *Journal and Document of House of Delegates* (Va.), 1830–31, Doc. 31.

[3] *Ibid.* 1831–32, Doc. 8.

and 36 miles under construction. Several canals were completed, and others were being constructed.[1] Since 1819, $1,298,000 had been authorized by the state for its James River and Kanawha improvement, all but $51,500 of which had been raised.[2]

Although the question of connecting the eastern and western waters of the state had been ever before the legislature, nothing of importance had been accomplished. The causes for this lack of progress were manifold. There had been dissensions as to the best form of canal. Later, when railroads were introduced, some wanted a continuous canal from the James to the Ohio; others, a continuous railroad; still others favored part railroad and part canal. The question of expense was a stumbling-block; for instead of costing $7,000 per mile to build, as was first estimated, the canal was actually costing $20,000 per mile. Engineering was in its infancy in the United States and little was known of canal-building. Although Virginia was fortunate in having secured a very efficient state engineer, Colonel Claudius Crozet,[3] it often tied his hands by the lack of a consistent policy, and by calling in from time to time assistant engineers of inferior skill, who hindered rather than helped him. Even the commissioner charged with the execution of the work became hostile to it and used his influence against it. Sectionalism more than any other one thing hindered the work, just as it always discouraged any large work undertaken by the state.[4]

The sectional strife and discontent that was dividing the councils of the state found its fullest expression in the constitutional convention that met in Richmond in 1829–30. The proceedings of this convention are memorable, both because of the brilliant personnel of those assembled, and because in them are found an

[1] *Journal and Documents of House of Delegates*, 1830–31, Doc. 20, Statement B.

[2] *Ibid.*, Doc. 35.

[3] Colonel Crozet was secured by the Board of Public Works as state engineer in 1823. His work, much of which still endures, and his reports show him to have been very conscientious and skilful. He had served as an engineer under Napoleon and had taught engineering and mathematics in West Point Military Academy. With the exception of five years—1832 to 1837—Crozet served as state engineer until 1847, when the office was abolished.

[4] *Journal and Documents of House of Delegates*, 1831–32, Doc. 34.

account of the social and economic conditions that were prevailing and that had prevailed in the state.[1] A brief account of how the question of suffrage and representation, the most important and difficult problem before the convention, was treated by that body is necessary here for a better understanding of the subsequent history of the state.

The eastern counties, with their many slaves and greater wealth, had always dominated in political affairs. In 1828 the House of Delegates consisted of 214 members and the Senate of 24. Of these the Valley and trans-Alleghany districts with a white population of 318,645 had 80 delegates and 9 senators; while the Tidewater and Piedmont districts with 375,659 whites had 134 delegates and 15 senators. But the west paid only a third of what the east paid into the state treasury.[2]

After much debate the convention by a vote of 50 to 46 adopted a compromise, offered by Gordon of Albemarle County, in which representation was apportioned arbitrarily, no account being taken of the respective principles that had been advanced by different factions, namely, that of white representation; of representation by federal number; and of representation on the basis of a compound ratio between white population and amount of taxes paid. No provision was made for redistribution in the future.[3]

Having been offered a substantial gain in political power, the Valley section had forsaken its western ally and voted with the east. As a result the trans-montane section became more helpless politically and more discontented. There was now little hope left for its obtaining state aid for internal improvements. Furthermore, there was still hope of making Richmond the commercial equal of Baltimore, Philadelphia, and New York, and the east

[1] *Proceedings and Debates of the Virginia State Convention of 1829–30* (Richmond, 1830). Among the members of this convention were Madison, Monroe, Marshall, Tazewell, Leigh, Giles, and John Randolph.

[2] These figures and those above were taken from the census of 1830 (*Documents Containing Statistics of Virginia*, ordered to be printed by the state convention sitting in Richmond 1850–51 [Richmond, 1851]). At this time the federal number in the west was 357,037; in the east, 666,469. *Journal and Documents of House of Delegates*, 1832–33, Doc. 6.

[3] *Proceedings and Debates of the Virginia State Convention of 1829–30*, pp. 455, 897, 898.

was therefore unwilling to encourage any work that would bring the west into closer touch with Baltimore. In speaking of this matter in connection with the legislature of 1830–31, that was just about to assemble, the *Winchester Republican* said: "The preservation of the state we believe will depend upon this Legislature. Dispute the claims of the Trans-Alleghany counties to what they may deem a proper share of the fund for internal improvements and a *division of the state must follow*."[1] There was much talk of separation in the west.

Four railroad companies were incorporated during the session of 1830–31, the Staunton and Potomac, the Loudoun, the Petersburg, and the Lynchburg and New River.[2] This was accomplished largely through compromises between different sections of the state. Before the close of the session a bill appropriating two million dollars for aiding internal improvement companies was defeated in spite of the solid vote of the representatives from the far west in its favor and of numerous petitions from that district for aid.

In March, 1831, the legislature incorporated the Northwestern Turnpike Company with authority to build and maintain a road from Winchester in Frederick County to some point on the Ohio River. Like the James River Company, this company was a state institution managed by the high state officials. It was authorized to borrow on the credit of the state sufficient money for completing the work. This road extended from Winchester through Romney and Clarksburg to Parkersburg on the Ohio, a distance of 236¾ miles. It was one of the most important of the public works of the state at that time.[3]

A year after the incorporation of this company the James River and Kanawha improvement was again put in the hands of a private corporation, the James River and Kanawha Company.[4] The transfer took place in June, 1835, when the company was fully organized with Joseph C. Cabell as its first president.

[1] Ambler, *Sectionalism in Virginia*, p. 174.

[2] *Acts of Assembly*, pp. 167–205.

[3] Incorporated by act of March 19, 1831 (*ibid.*, 1830–31, p. 153).

[4] Act of March 16, 1832.

Up to this period [according to Engineer Crozet's report] the cost of the canal to Maiden's Adventure Falls, of the canal through the Blue Ridge, together with 208 miles turnpike [connecting the James River improvement with that of the Kanawha] and 60 miles of Kanawha navigation, amounted

in all to..	$1,324,500.
To this should be added the capital, corresponding at 6 per cent to the annuity of $21,000, paid the original company.........	350,000
Making the whole undertaking of the Commonwealth........	$1,674,500[1]

The money that had been borrowed for this undertaking was by far the largest item in the state debt. After selling this property at a loss the state became a large stockholder in the new company. It was now decided, against the earnest protest of the state engineer, that the improvement should be in the form of a continuous canal rather than in that of a railroad.

The first railroad chartered by the state was the Baltimore & Ohio, on March 8, 1827.[2] During the thirties railroads came to play an ever-increasing part in state affairs. Of the thirteen works of internal improvement for which the state issued bonds before 1838, seven were railroads. The transition period from canal-building to railroad-building coincided with that wonderful era of adventure and rapid development already described. The amount of authorizations in 1831 for works of internal improvement shows a considerable increase over that of former years. In addition to $125,000 authorized for the Northwestern Turnpike incorporated that year, $160,000 (two-thirds of the total stock) was authorized to be subscribed to stock in the Petersburg Railroad, incorporated the previous year.[3] Both sums were borrowed by the state. Hitherto the state credit had been used only for the James River and Kanawha improvement. Other railroads were built with state aid. Of the almost four million dollars authorized by the legis-

[1] Crozet, *Outline of the Internal Improvements in the State of Virginia* (to accompany the map of the same, prepared in pursuance of a resolution of the General Assembly of March 15, 1848, by Claudius Crozet, late state engineer [Philadelphia, 1848]), pp. 19 ff.

[2] *Acts of Assembly*, 1826–27, chap. 27.

[3] This railroad extended from Petersburg to Weldon, North Carolina, on the Roanoke River, a distance of 59 miles. It was referred to in the governor's message of 1833 as "the grand railroad of the state."

lature for aiding works of internal improvement from 1831 to 1837, inclusive, over three and one-half millions were for aiding railroads.[1]

The Board of Public Works had been of great advantage to the state as a fiscal agent. But so great had been the drain on the $115,000 annual income of the fund for internal improvements, managed by the board, that it was just sufficient to pay the interest on debts contracted by the board and its other annual expenses in 1834. Since any further charge on the fund would either impair its capital or fall on the public treasury, Governor Tazewell recommended that no further charge be made upon the fund until the improvements already invested in had been finished and had proven themselves productive.[2] Since the ordinary annual revenue of the state averaged less than half a million dollars and barely met the needs of the government, any further call on the treasury would mean increased taxation. The people of the state were not heavily taxed, but any effort to increase the taxes might mean defeat to the party in power. The money for public works had therefore to be borrowed.[3]

[1] The following extracts from the report of the president and directors of the Winchester & Potomac Railroad Co. to the stockholders in general meeting, August 5, 1837, is interesting in picturing the transition between horse-power and steam-power, and the conditions of railroad transportation at the time: "The business of September [1836] gave full and advantageous employment of our two engines and all our cars." On October 24, one of the engines, the Tennessee, left the track "unusually slippery from a heavy hoar frost." This necessitated the combining of horse-power with the single efficient locomotive remaining. "This was done very advantageously on a portion of the road, and by much exertion the regularity of the trade was preserved—the engine always propelling the passenger train, and making the distance of 100 miles for some time daily. One of the axles of this unfortunately giving away, we were compelled for two weeks to depend entirely on horse-power, the trade of the road suffering no interruption. Casualty thus enabled us to compare the power of steam with that of horses on our road; and the experiment left no room to doubt, that in order to keep up the prompt interchange of trade, the expense attending the use of horses was far greater than that of improved locomotives. . . . . Placed upon the track again, the Old Dominion, worthy of the name, soon enabled us to dispense with the teams." The company now owns four locomotives in good order. "One of them, in an emergency, can transport 500 barrels of flour from Winchester to Harper's Ferry in less than four hours." The distance is 100 miles (*Journal and Documents of House of Delegates*, 1838).

[2] *Ibid.*, 1834–35, Doc. 1.

[3] The towns were very liberal subscribers to works of internal improvement, and often suffered from taxes incurred in paying their subscriptions and the interest on the

According to Professor Ambler the policies pursued by the Democratic legislatures from 1835 to 1838 in regard to internal improvements were determined largely by a desire to conserve party interests. The James River and Kanawha Canal, a Whig enterprise, was neglected, and attention was given to aiding turnpike and railroad companies. Sixteen turnpike companies were incorporated during this period in the west. An appropriation of $200,000 was made for the Lynchburg & Tennessee Railroad, and almost two million dollars for railroads to connect eastern towns. Practically all these appropriations went to sections strongly Democratic.[1]

The *Richmond Whig* of April 12, 1836, after deploring the decadence of public spirit in Virginia, quotes the *Wheeling Times*, of western Virginia, as follows:

We copy from the Kanawha Banner (another western Virginia paper) the spirited remarks below upon a subject we have before alluded to. Let the state of Virginia grant us powers for the full scope of our enterprise and abandon the antediluvian, anterepublican, and unmanly spirit of legislation, or Western Virginia applies for a divorce from the superannuated crone that now rules it. Western Virgina has been hag-ridden long enough, and it is time to seek means of redress.

"During the last half century, and after Judge Marshall's celebrated report, in favor of connecting the Eastern and Western waters, through the interior of Virginia, New York has completed her system of canals.

"Maryland, during the same time has been making a gigantic effort to insure the same trade through the means of the Baltimore and Ohio Railroad.

"A new project has been lately started to connect Cincinnati with Charleston, South Carolina, by means of a railroad also, to secure the same trade.

"What has Virginia been doing all this while—the possessor of the natural avenue to the much sought-for trade? She has been living on Glory!—her

money borrowed for this purpose. For example, a memorial signed by certain property owners in the city of Richmond in 1834 protested against the passage of a bill, then before the legislature, authorizing the Common Hall of the city to subscribe $750,000 in addition to the $400,000 already subscribed to stock in the James River and Kanawha Company, which would make the total already subscribed by the city $1,150,000. "Our city," continues this memorial, "is now largely in debt; it owes more than $140,000 and with a white population of less than 10,000 our citizens now pay the heaviest taxes paid by any people, we believe, in the world" (*ibid.*, Doc. 12).

[1] Ambler, *Sectionalism in Virginia*, p. 241.

past Glory—breakfasting, dining, and supping on it. Oh, what a glorious Old Dominion! She has been stump-speeched to death.

. . . .

"The fact is that before Virginia can do anything great in the way of internal improvement the seat of government must be removed, or the present generation of old-fashioned, smoking, lazy, proud, and hospitable race must die off.

"To present to the eye, at a single glance, how Virginia has gone down hill, let us state one single fact. Yorktown once imported goods to Philadelphia, Norfolk, and Baltimore. It is now a borough for grog shops, and the most splendid harbor in North America (and the only one into which the vessels can come in and go out with the wind from any point of the compass) affords safe anchorage for innumerable oyster boats."

The foregoing remarks show, not only the sectional bitterness which existed, but also some of the causes for discontent, on account of the policy of the government, among many of the most progressive citizens throughout the state. So long as matters were in this pass no very great strides were taken by the state in financing great public works, and the state debt grew slowly. But the government was soon to change its policy.

The state debt, which had passed the one-million-dollar mark in 1833, had grown to more than three and one-half millions in 1837.[1] In the following statement of the debt of the commonwealth at the end of each fiscal year from 1830 to 1838, note the steady increase in the debt with the increase in the number of corporations "patronized," and the sudden great increase as shown by the total of the last column, the amount of the debt on September 30, the end of the fiscal year 1837.

On January 1, 1839, the state debt amounted to $5,692,789.17.[2]

Timothy Flint, writing of Virginia in 1833, says, "Nature has given the state every advantage of position, soil, climate, and

[1] In March, 1835, the sinking fund was created. Fifty thousand dollars was to be set aside annually for the redemption of such portions of the state bonds as could be procured at par. The governor, treasurer, auditor, and second auditor were incorporated as its commissioners (*Acts of Assembly*, 1834–35, p. 7).

[2] The amount of stock issued and authorized to be issued by the state in each period of five years from 1820 to 1838: 1820–25, $1,030,000; 1825–30, $469,000; 1830–35, $686,500; 1835–38, $4,132,700; total $6,319,050. (From the report of A. E. Flagg, Esq., comptroller of the state of New York, in *American Almanac*, 1840, p. 106.)

TABLE I

Purpose for Which the Debt was Incurred	1830	1831	1832	1833	1834	1835	1836	1837
1. Revolutionary debt	$ 24,039.17	$ 24,039.17	$ 24,039.17	$ 24,039.17	$ 24,039.17	$ 24,039.17	$ 24,039.17	$ 24,039.17
2. Debt of War of 1812	319,000.00	319,000.00	319,000.00	319,000.00	319,000.00	319,000.00	319,000.00	319,000.00
3. James River Co.	1,246,500.00	1,261,500.00	1,283,500.00	1,310,500.00	1,324,500.00	1,324,500.00	1,324,500.00	1,324,500.00
4. Northwestern Turnpike Road			51,000.00	51,000.00	121,000.00	121,000.00	121,000.00	212,500.00
5. Petersburg Railroad Co.			80,000.00	80,000.00	80,000.00	80,000.00	80,000.00	80,000.00
6. Chesapeake & Ohio Canal Co.				250,000.00	250,000.00	250,000.00	250,000.00	250,000.00
7. Library fund				10,000.00	10,000.00	10,000.00	10,000.000	9,500.00
8. Portsmouth & Roanoke Railroad Co.					95,000.00	190,000.00	190,000.00	240,000.00
9. Winchester & Potomac Railroad Co.					60,000.00	100,000.00	120,000.00	120,000.00
10. Richmond Fredericksburg & Potomac Railroad Co.						110,000.00	206,800.00	206,800.00
11. Louisa Railroad Co.								42,000.00
12. Richmond & Petersburg Railroad Co.								64,200.00
13. City Point Railroad Co.								15,000.00
14. Dismal Swamp Canal Co.								16,500.00
15. Upper Appomattox Co.								7,000.00
16. James River & Kanawha Co.								780,000.00
17. Price's Turnpike & Cumberland Gap Road								10,000.00
Total	$1,589,539.17*	$1,604,539.17†	$1,757,539.17‡	$2,044,539.17§	$2,283,539.17‖	$2,528,539.17¶	$2,645,339.17**	$3,721,039.17††

**Journal and Documents of House of Delegates*, 1830, Doc. 35.

†*Ibid.*, 1829, Doc. 8. *Ibid.*, 1831, Doc. 35.

‡*Ibid.*, 1832, Doc. 32.

§*Ibid.*, 1833, Doc. 47.

‖*Ibid.*, 1834, Doc. 31.

¶*Ibid.*, 1835, Doc. 48.

***Ibid.*, 1836, Doc. 52.

††*Ibid.*, 1837, Doc. 72.

navigable rivers; but a prevalent political dogma has influenced the councils of the state, that the inculcation of internal improvement and domestic industry is the great heresy of political economy."[1]

It is evident, however, from the figures just given, that a change was taking place in the attitude of the state toward borrowing for public works. The year 1838 was a turning-point in the history of the state debt. It was then that the state decided to "embark fully in her system of internal improvements," and provided by law for supplying the funds for the purpose on the pledge of the public credit.[2]

The cause of this change was the more insistent demand in the state at large for railroads and other internal improvements. The leader of this new movement in the House of Delegates was Mr. A. H. H. Stuart, chosen to represent Augusta County in 1836 on account of his "known devotion to the cause of internal improvement." His journey to Richmond to take his seat in the legislature must have further fired his zeal for the cause. His account of it brings closer to our imaginations the dire need of better means of travel and transportation:

> To give you some idea of traveling which existed in those days I will refer to my own experience in getting from Staunton to Richmond in December, 1836. I left my home in Staunton in the stage, at two o'clock in the morning, and after a laborious day's travel, walking up the mountains at Rockfish Gap, and, after we got into the red lands of Albemarle, occasionally assisting in prizing the coach out of the mud with fence rails, we arrived at Charlottesville at two o'clock in the morning, and after a laborious journey of fifteen hours, arrived at Wilmington in Fluvanna. The third day we left Wilmington at twelve o'clock at night, and arrived at Richmond an hour or two after dark. According to my best recollection, the stage fare was \$11 or \$12, and the cost of eight meals and two nights' lodgings, at 50 cents each, was \$5, making the aggregate cost of the trip \$16 or \$17.[3]

[1] Timothy Flint, *Geography*, p. 94.

[2] *Acts of Assembly*, 1838, chap. 12, p. 24.

[3] The distance from Staunton to Rockfish Gap is 14 miles; from Rockfish gap to Charlottesville, 27 miles; from Charlottesville to Wilmington, 25 miles; and from Wilmington to Richmond, 50 miles. The journey can now be made by rail in $3\frac{1}{2}$ hours and at a cost of \$3.45.

Accounts of other writers bear eloquent testimony to this state of travel.[1] But the inconvenience of transporting farm products to market and of obtaining even the necessities of life in return was a far greater hardship than perilous traveling. Merchandise had to be carried many miles on pack-horses, and tobacco, the staple product, was rolled in hogsheads to the nearest river ports. The cost of getting farm products to market, according to Mr. Stuart, was from one-fifth to one-third of what they would bring in the market.[2] The cost of goods bought in return was made correspondingly high.

As there was no money in the treasury and as their constituents did not consider themselves in a position to be heavily taxed for carrying out large schemes for internal improvements, Mr. Stuart and his followers advocated the borrowing of large sums by the state for this purpose, confident that the increased value of lands and products caused thereby would more than relieve the burden on future generations. After an unsuccessful attempt to unite the Assembly in favor of their plans in the session of 1836–37, they succeeded early in the next session in having the subject of internal improvements referred to a committee. Mr. Stuart was made chairman of the committee, and the report drawn up by him in this capacity may be found in the documents of the House of that year. The recommendations contained therein for a great system of improvements were debated at length, and though the general scheme was defeated by a small majority, separate measures were enacted providing for works whose cost to the state was to amount to more than a million dollars. It was provided that this money be borrowed on state credit.[3]

The following is a general statement of the money that had been invested by the commonwealth in works of internal improvements, January 21, 1837:

[1] For example, Schoepf, *Travels in the Confederation* (translated by A. J. Morrison), II, 46; Charles Augustus Murray, *Travels in North America*, I, 115.

[2] A. H. H. Stuart, *Address of . . . . Reviewing the State Debt of Virginia . . . .* (Staunton, Va., 1877). Note also *Staunton Spectator*, June 19, 1877, for same.

[3] *Address of A. H. H. Stuart . . . . Reviewing*, etc. For excellent maps showing internal improvements completed, in process of completion, and projected in 1838, see map prepared by Crozet in *Annual Report of the Board of Public Works* (*Va.*), January 31, 1839.

TABLE II

Description of Improvement	Total Amount Subscribed or Appropriated	Amount Paid			Amount Remaining To Be Paid		Amount Yielding Dividends	Amount Yielding No Dividends	Average Annual Dividends Received in Last Two Years	Loss Sustained by the State in Works Abandoned or Sold*
		Total	Out of Fund for Internal Improvement	Out of State Loans Obtained	Out of Fund for Internal Improvement	Out of Additional Loans to be Obtained				
Turnpike roads	$ 407,458.33	$ 386,251.59	$ 386,251.59	....	$ 21,206.74	....	$ 128,808.01	$ 257,443.58	$ 2,793.06	$ 56,000.00
Canals and rivers	3,924,787.91	1,912,861.94	338,361.94	$1,250,000.00	21,125.97	$1,990,800.00	1,101,700.00	486,661.94	12,242.00	333,176.80
Railroads	745,200.00	737,000.00	140,200.00	596,800.00	8,200.00	....	427,000.00	310,000.00	22,880.00	....
Other public improvements	268,000.00	144,500.00	4,000.00	140,500.00	53,000.00	70,500.00	....	144,500.00	....	....
Total	$5,345,446.24	$3,180,613.53	$868,813.53	$2,311,800.00	$103,532.71	$2,061,300.00	$1,657,508.01	$1,198,605.52	$37,915.06	$338,776.80

*(The stock owned by the state in internal improvement companies, and transferred to the Board of Public Works as part of its permanent fund by the act of incorporation is included in the three first columns.) The state lost $8,180 when the Monongahela Navigation Co. was abandoned, and $2,208 when the Slate River Co. was abandoned. The state also lost by the sale in certain companies, notably the James River Co. (*Journal and Documents of House of Delegates*, 1836–37, Doc. 26.)

During the panic of 1837 widespread disaster was prevented by the solidarity of the banks of the state and the timely assistance rendered them by the legislature, and also by the conservatism of the government in financial matters. Though the shock was keenly felt here as elsewhere, the policy to which the state was fast committing itself, that of borrowing to aid internal improvements, received no material check. Governor Campbell's message of January 1, 1838[1] best describes its effect on the fiscal arrangements of the commonwealth. He said:

The importance of providing adequate means for the payment of the interest on the state debt, demands your serious attention. The revenue of the fund for internal improvement, falls short of paying the interest already charged upon it, and when the full amount of the loans authorized to carry into effect existing engagements, shall have been obtained, the annual interest charged upon the fund will exceed its disposable revenue by nearly $200,000. To meet this deficiency, and to maintain unimpaired the credit and faith of the state, some legislative provision is indispensably necessary.

For some years previous to the late derangement of the currency, loans were obtained without difficulty and on advantageous terms, at an interest of 5 per cent.[2] But the loss which foreign holders of our stock have sustained in the remission of the last half year's interest, in consequence of the high rate of exchange, and premium on gold and silver, will, in the absence of proper legal provision to meet the emergency, prevent the stock of this state from being as highly appreciated abroad as it otherwise would be. No loans have been obtained this year at a rate of interest less than 6 per cent. . . . .

There will be occasion to borrow in the course of the present year to meet existing engagements, about one million of dollars, and probably a much

[1] *Journal and Documents of House of Delegates*, 1838. The time of the meeting of the legislature was shifted in 1837 to the first of January following, hence the change of the *Acts of Assembly* and other state documents.

[2] The interest on the debt of the commonwealth at the end of the fiscal year, 1830 was at the following rates:

James River Company's certificates of loans:
On $1,021,200 the interest was 6 per cent per annum
On 200,000 the interest was 5 per cent per annum
On 25,300 the interest was 5½ per cent per annum
Certificates of War of 1812 Debt:
On $319,000 the interest was 7 per cent per annum
Military Certificates of Revolutionary Debt:
On $24,039.17 the interest was 6 per cent per annum

During the period beginning October 1, 1830, and ending September 30, 1836, the state obtained its loans at 5 per cent.

larger amount hereafter. The value of the stock is fixed abroad and will depend greatly on the footing upon which it is placed in relation to the payment of interest. The credit of the stock in Europe, although until very lately but a small amount of it was owned there, was held in high estimation. The amount now in England and France, is about $2,047,400.[1]

The Board of Public Works had intended in 1838 to send an agent to Europe to procure a loan there. But since the attorney-general held that the terms of the act authorizing the loans to be made rendered the payment of the money into the treasury of the commonwealth an indispensable prerequisite to the issuing of the stock, the board was compelled to resort to the accustomed mode of procuring the necessary funds. Advertisements were therefore put in the newspapers of Richmond, Baltimore, Philadelphia, and New York. Of its success in obtaining the loans, the board in its report of January 1, 1839[2] makes the following statement:

Both loans were taken by a mercantile house in Richmond, the first at a premium of $2.81, and later at $\frac{1}{8}$ of 1 per cent. These bids appeared to be predicated upon and regulated by the latest quotations of the value of the Virginia stocks in London. Loans to a considerable amount were also obtained through an advertisement in the Richmond papers that 6 per cent stock could be obtained of the board at 5 per cent premium.

The facility with which so large an amount of stock has been disposed of at our own door, at prices equivalent, or nearly so, to the London quotations of stocks of *similar character*, during a period, too, when many millions of other American stocks are seeking a market, affords a certain and gratifying indication of the high character which the state maintains for punctuality and good faith. . . . .

The amount of loans obtained by the board of public works during the past fiscal year, is shown by the second auditor's report to be $1,301,800; between the termination of the year and the first of the current month a further amount of $530,350 has been borrowed. To the above amounts may be added $73,500 obtained by the president and directors of the Northwestern turnpike road, making an aggregate of $1,905,650.

[1] In 1823 the state certificates were held in most part by individuals and institutions in the state (Report of Committee of Finance, in *Journal and Documents of House of Delegates*, 1823–24). In 1830 somewhat more than one-third of the certificates of debt, $495,000, were held in England (*Journal and Documents of House of Delegates*, Doc. 35).

[2] *Ibid.*, 1839.

The following is a statement showing the terms on which the several sums have been procured:

At 5 per cent premium		$ 221,063.59
At 4 per cent premium		2,500.00
At 3 per cent premium		3,000.00
At $2.81 premium		400,000.00
At $2.75 premium		110,000.00
At $2.50 premium		7,200.00
At $1.75 premium		3,000.00
At $1.40 premium		5,000.00
At $1.00 premium		450,000.00
6 per cent stock		$1,123,913.59
At par 6 per cent	$199,736.41	
5 per cent	482,000.00	
		681,736.41
		$1,905,650.00
The total amount of premium	$ 26,594.68	

One of the most important facts to note about the history of the beginnings of the state debt is that a great part of the state bonds were owned by the government itself, through its institutions. For example, of the certificates of debt amounting to $1,589,539.17 at the close of the fiscal year 1820, more than half was held as follows:

By the literary fund	$770,372.50
By the fund for internal improvement	50,000.00
Total	$820,372.50[1]

Six years later these two institutions owned state certificates amounting to $1,027,422.50 as against $1,617,916.67 owned by parties not connected with the state. A smaller amount, relatively, was held by the state institutions.[2] The following year (ending September 30, 1837) shows a still greater difference in this respect, the state through its institutions owning $1,068,822.50 of the debt, and others holding certificates amounting to $2,652,216.67.

[1] *Journal and Documents of House of Delegates*, 1830–31, Doc. 35.

[2] *Ibid.*, 1826–27, Doc. 52.

The subsequent history of the state debt to 1861 shows that the state followed the lines marked out in the years preceding 1839. The growing population with its increasing commercial interests made an increasing demand for extensive internal improvements. With their development the obligations of the state steadily and rapidly increased until they amounted on October 1, 1861, to $33,080,509.[1]

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[1] The debt in 1845 was $7,384,795, and on January 1, 1852, $11,971,838. On October 1, 1815, the state debt was $24,123,139.16.